

Memo

To: John Gill and Vern Hughes

From: David Griffiths

CC: Anthony Gill

Date: 03/03/99

Re: Terms of Reference 4: To examine the following specific recruitment proposals – advance payment subscriptions and a recruitment bonus.

Commission Payments

Commission Payment s

The proposal is to introduce commission payments for members who recruit new members. The basis of the commission payment could be similar to that already provided to the Secretary. Commissions could be direct payments or a reduction in the next payable annual subscription. Direct payments would not require a change to our Rules. A reduction in the payable annual subscription would require a change in the Rules.

Advantages	Disadvantages
The Secretary has a monopoly on recruitment commissions. Making the commission available to member-co-operatives would introduce a desirable competitive situation and should be an incentive for the Secretary's own recruitment.	The commission fee for the Secretary was partly introduced as an extra source of income for the Secretary and introducing competition for the commission could dilute this extra income.
A commission for members recruiting new members could broaden our recruitment activities and provide a new member-benefit in reducing an annual subscription for a	Paying a commission to members for recruiting new members would represent a loss of income but there is already a loss on members

member that recruited a new member.	recruited by the Secretary.
There is not an ongoing systematic recruitment activity. The Federation does not specifically fund the Secretary to recruit members. The Secretary's recruitment activities are determined by his own resources and priorities.	A commission fee available for member co-operatives could be a disincentive for the Secretary's own recruitment activities.

There is an issue of verification. How do we verify a claim by a member-co-operative that it is responsible for the recruitment of new members? But, then, there is no current verification of the Secretary's recruitment of new members. It is arguable that there should either be an independent verification of both or no verification required. It may, however, be desirable to introduce a New Member Referral Form which is completed by existing members when referring potential new members and, therefore, validate the claim for a commission if the potential member proceeds to become an actual member.

In essence, the proposal could be seen as cost neutral i.e. we only lose subscription income from new members who would only join because of the recruitment activity. This has been the in-built assumption of the recruitment of new members by the Secretary. The cost of recruiting new members would be partly borne by existing members. In practice, members would support and refer potential new members to the Secretary for the provision of the Membership Kit.

But, the, we do not have a recruitment costing that we can use to identify and assign recruiting costs. This, of course, depends on the recruitment activity.

Another issue is whether the commission payable depends on the annual subscription payment due by a new member e.g. a 40% commission payment on a new \$50 member is not cost-neutral in the period of the first 12 months membership of the new member.

If it is considered that a recruitment bonus for members is a desirable incentive, then, the view of the Secretary should be sought on whether or not he supports or opposes or is neutral on the bonus and why and for his views on any practical difficulties of its implementation. The Secretary's views could be sought separately on this issue or in conjunction with a number of other issues. The Secretary has been provided with a copy of this memo.

Recommendation

Commission-payments to members who recruit new members would be a value-added service and to the extent that this was taken-up by members would promote the Federation and, hopefully, lead to the recruitment of new members who would otherwise not be recruited.